



FAQ FOR MHA EXTENDED PAYMENTS

1. Why is the development of more townhomes important?

Townhomes are great family-sized housing options for middle-income residents in Seattle. The construction of townhomes citywide would help to add inventory for the “missing middle” that many feel is an essential stepping stone for homeownership, especially for young families.

2. Why don't townhomes just perform on-site, meaning, add an affordable unit?

Most larger multi-unit projects are able to perform on-site because they have more units to work with. This allows builders to absorb the cost because the cost difference can be spread out amongst several units. Due to limited space (small lots/challenging sites), townhomes cannot perform on-site and therefore must comply with MHA requirements by paying the fee.

3. Why do townhomes need an extended MHA payment option?

Currently the MHA fee is required at time of permitting. On a small townhome project, the fee can range between \$100,000 to \$180,000. Builders can't finance this fee as part of their construction loan, therefore they must pay cash. For small, family-owned homebuilding companies, this is a prohibitive requirement because they cannot recoup that payment until the final sale of the property, which can be up to two years from time of permitting. It also adds to the price of housing.

4. Is there any other government entity that uses extended payments?

Yes, King County sewer capacity charge is spread over 15 years, paid by owner. It can be managed by a third-party vendor and the cost of the program could be paid for by a service fee when an extended payment plan is requested. At the county, homeowners can currently get a discount of about 3% for paying off their balance early.

5. What if the home is sold before it is paid off in 15 years?

If the home is sold before the MHA fee is paid, the city is still guaranteed the full fee because it is attached as a lien to the title and will be paid in full upon the sale of the property.

6. What is the benefit of an extended MHA payment to the city?

It is guaranteed revenue that is spread out over a longer amount of time. As a result, it won't be vulnerable to the volatility of the housing market and would be a more stable, consistent funding source for affordable housing.

